

FINANCIAL REPORT
BOIS BLANC PINES SCHOOL
June 30, 2006

BOIS BLANC PINES SCHOOL
FINANCIAL REPORT
Year Ended June 30, 2006

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October 5, 2006

Independent Auditors' Report

Board of Education
Bois Blanc Pines School
Pointe Aux Pins, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of Bois Blanc Pines School, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

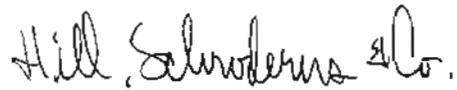
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Bois Blanc Pines School, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2006, on our consideration of Bois Blanc Pines School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Bois Blanc Pines School
Point Aux Pins, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bois Blanc Pines School's basic financial statements. The accompanying other supplemental information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Hill, Schroderus & Co.".

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

Management's Discussion and Analysis

Overview of the Basic Financial Statements

Bois Blanc Pines School's basic financial statements include government-wide statement, fund financial statements and notes to the financial statements. This report also contains required and other supplemental information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements report information on all of the School's non-fiduciary funds. The government-wide statements are designed to provide readers with a broad overview of the school's finances, in a manner similar to a private-sector business.

The Statement of Net Assets displays all of the School's assets and liabilities, with the difference reported as net assets. All long-term assets and debt obligations are presented therein.

The Statement of Activities focuses on the gross and net cost of the various functions within the school (instruction, support services, etc.), which are supported by the School's general revenues (property taxes, unrestricted State Aid, etc.).

Fund Financial Statements

The fund financial statements report on the governmental funds, with an emphasis on major funds. Major funds are determined by the level of activity within the various funds. The focus of the fund financial statements is on the sources and uses of funds during the current year.

Bois Blanc Pines School maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund which is considered a major fund.

Notes to the Financial Statements

The notes provide additional information which is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

The table below summarizes the District's net assets as of June 30, 2006 and 2005:

Bois Blanc Pines School Statement of Net Assets

	2006	2005
Assets		
Current and other assets	\$ 151,405	\$ 126,005
Capital assets - net of accum. dep.	20,137	12,639
Total assets	171,542	138,644
Liabilities		
Current liabilities	14,986	10,738
Noncurrent liabilities	-	-
Total liabilities	14,986	10,738
Net Assets		
Investment in capital assets, net of related debt	20,137	12,639
Unrestricted	136,419	115,267
Total net assets	\$ 156,556	\$ 127,906

At the end of the fiscal year, Bois Blanc Pines School is able to report positive balances in both categories of net assets. The first portion of the school's net assets is its investment in capital assets (leasehold improvements, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets in providing educational services; consequently these assets are not available for future spending.

The remaining portion of net assets, unrestricted net assets, may be used at the School's discretion to meet ongoing obligations.

The results for the school district as a whole are reported in the Statement of Activities, which is summarized below:

**Bois Blanc Pines School
Statement of Activities**

	<u>2006</u>	<u>2005</u>
Revenue		
Program revenue:		
Grants and contributions	\$ 20,547	\$ 2,675
General revenue:		
Property taxes	76,541	72,264
State Aid, unrestricted	10,494	11,344
Interest and investment earnings	1,834	946
Other	93	157
	<u>109,509</u>	<u>87,386</u>
Function/Program Expenses		
Instruction	59,502	47,566
Support services	19,932	20,548
Depreciation (unallocated)	1,425	1,202
	<u>80,859</u>	<u>69,316</u>
Change in net assets	28,650	18,070
Net assets - beginning of year	<u>127,906</u>	<u>109,836</u>
Net assets - end of year	<u>\$ 156,556</u>	<u>\$ 127,906</u>

As reported above, the school recorded \$80,859 of expenses. The School's federal REAP revenue and corresponding expenses increased by approximately \$15,000 during the current year. Property taxes continue to fund most of the School's activities.

The School experienced an increase in net assets for the year due primarily to increased property tax revenues and a reduction in teacher related expenses.

Fund Financial Analysis

As of year-end, the General Fund reported a fund balance of \$136,419, which is \$21,152 more than the beginning of the year.

General Fund Budgetary Highlights

Final revenues were consistent with the budget.

Final expenditures were also lower than final budgeted amounts by approximately \$7,300. This was mainly due to anticipated repairs never completed.

Capital Assets

At June 30, 2006 the School had \$20,137 invested in capital assets. The following table summarizes the capital asset activity for the year:

	<u>July 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2006</u>
Leasehold improvements	\$ 6,230	\$ -	\$ -	\$ 6,230
Furniture and equipment	<u>11,391</u>	<u>9,223</u>	<u>(2,999)</u>	<u>17,615</u>
Total capital assets	17,621	9,223	(2,999)	23,845
Less accum. dep.	<u>4,982</u>	<u>1,425</u>	<u>(2,699)</u>	<u>3,708</u>
Net capital assets	<u>\$ 12,639</u>	<u>\$ 7,798</u>	<u>\$ (300)</u>	<u>\$ 20,137</u>

The current year addition to the capital assets was for a new television, computer equipment, and copier. The current year disposal was old computer equipment.

Economic Factors

Most resident on Bois Blanc Island are retirees, and because of the isolation in the winter time, families with children do not locate to the Island. This is mostly due to lack of industry and related jobs. This year the Bois Blanc Pines School, a K-8 one-room school district, has two full time students. A student attending high school through a cooperative educational agreement with that district graduated this year.

The school district continues to benefit from the Rural Education Achievement Program. These are federal funds which are to be used mainly for improvement in technology and professional development. Support in all areas of school management and academics is provided by the Eastern Upper Peninsula Intermediate School District.

Financial Contact

The school's financial statements are designed to present users with a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed towards the Business Office, Bois Blanc Pines Schools.

BOIS BLANC PINES SCHOOL
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
<u>Assets</u>	
Current Assets	
Cash	\$ 149,448
Due from other governmental units	<u>1,957</u>
Total current assets	<u>151,405</u>
Noncurrent Assets	
Capital assets	23,845
Less: accumulated depreciation	<u>(3,708)</u>
Total noncurrent assets	<u>20,137</u>
Total assets	<u><u>\$ 171,542</u></u>
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	\$ 284
Accrued salaries	8,042
Due to other governmental units	<u>6,660</u>
Total liabilities	<u>14,986</u>
Net Assets	
Investment in capital assets	20,137
Unrestricted	<u>136,419</u>
Total net assets	<u>156,556</u>
Total liabilities and net assets	<u><u>\$ 171,542</u></u>

BOIS BLANC PINES SCHOOL
Statement of Activities
Year Ended June 30, 2006

		Program Revenues	Net Revenue (Expense) and Changes in Net Assets
	Expenses	Operating Grants and Contributions	Governmental Activities
Functions/Programs			
Governmental activities:			
Instruction	\$ 59,502	\$ 6,894	\$ (52,608)
Support services	19,932	13,653	(6,279)
Depreciation (unallocated)	1,425	-	(1,425)
	<u>80,859</u>	<u>20,547</u>	<u>(60,312)</u>
Total governmental activities	<u>\$ 80,859</u>	<u>\$ 20,547</u>	<u>(60,312)</u>
General revenues:			
Property taxes			76,541
State aid, unrestricted			10,494
Interest and investment earnings			1,834
Other			93
			<u>88,962</u>
Total general revenues			<u>88,962</u>
Change in net assets			28,650
Net assets - beginning of year			<u>127,906</u>
Net assets - end of year			<u>\$ 156,556</u>

BOIS BLANC PINES SCHOOL
Governmental Funds
Balance Sheet
June 30, 2006

	<u>Assets</u>	<u>General</u>
Cash		\$ 149,448
Due from other governmental units		<u>1,957</u>
Total assets		<u>\$ 151,405</u>
 <u>Liabilities and Fund Balances</u> 		
Liabilities		
Accounts payable		\$ 284
Accrued salaries		8,042
Due to other governmental units		<u>6,660</u>
Total liabilities		14,986
Fund Balances		
Unreserved:		
Undesignated		<u>136,419</u>
Total liabilities and fund balances		<u>\$ 151,406</u>

BOIS BLANC PINES SCHOOL
Governmental Funds
Reconciliation of Balance Sheet of Governmental Funds to Net Assets
June 30, 2006

Total Fund Balances - Governmental Funds	\$	136,419
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds
balance sheet

Cost of capital assets		23,845
Accumulated depreciation		<u>(3,708)</u>
 Total net assets - governmental activities	 \$	 <u>156,556</u>

BOIS BLANC PINES SCHOOL
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2006

	<u>General</u>
Revenues	
Local sources	\$ 81,615
State sources	10,494
Federal sources	<u>17,400</u>
Total revenues	<u>109,509</u>
Expenditures	
Current:	
Instruction	52,626
Support services	28,855
Intergovernmental payments	<u>6,876</u>
Total expenditures	<u>88,357</u>
Net change in fund balances	21,152
Fund balances - beginning of year	<u>115,267</u>
Fund balances - end of year	<u><u>\$ 136,419</u></u>

BOIS BLANC PINES SCHOOL
 Governmental Funds
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$ 21,152
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Amounts reported for governmental activities in the statement
 of net assets are different because:

Capital outlays are reported in governmental funds as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation expense:

Capital outlay	9,223
Depreciation expense	(1,425)

Net book value of disposed assets	(300)
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Change in net assets - governmental activities	\$ 28,650
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BOIS BLANC PINES SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bois Blanc Pines School (the "School District") operates under a Board-Superintendent form of government and provides education services to its residents. The accounting policies of the School District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by the School District:

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by Governmental Accounting Standards Board Statement (GASBS) No. 14 (and amended by GASBS No. 39). GASBS 14 states the primary basis for determining whether outside agencies and organizations should be considered component units of the School District and included in the School District's financial statements is financial accountability. Financial accountability has been defined as follows: A primary government has substantive authority to appoint a voting majority of the component unit's board; the primary government is either able to impose its will on a component unit or there is a potential for the component unit to provide specific financial burdens on the primary government; and the component unit is fiscally dependent on the primary government. The School District has no component units.

Basic Financial Statements – Overview

The School District's basic financial statements include both government-wide (reporting the School District as a whole) and fund financial statements (reporting the School District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's activities are considered governmental activities.

Basic Financial Statements – Government-Wide Statements

The government-wide financial statements report information on all of the nonfiduciary activities of the primary government. These statements are reported using the economic resources measurement focus and the full accrual basis of accounting. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The government-wide focus is more on operational efficiency, the sustainability of the School District as an entity and the change in the School District's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis. Due to the full accrual, economic resource basis, all long-term assets and receivables, as well as long-term debt and obligations are recognized. The School District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The School District first utilizes restricted resources to finance qualifying activities.

NOTES TO FINANCIAL STATEMENT - CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Government-Wide Statements - Continued

The government-wide Statement of Activities, due to the full accrual, economic resource basis, records revenue when it is earned and expenses when a liability is incurred, regardless of the timing of related cash flows. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, unrestricted State Aid and other items not properly included among program revenues are reported as general revenue. Any net costs, by function, are allocated to the general revenue.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School District are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The emphasis in the fund financial statements is on the major funds in the governmental activities category. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the governmental funds) for the determination of major funds. The School District's major fund, as described below, is the General Fund.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded in the accounting period in which they become both available and measurable. Revenues are available when received within the current period or within 60 days after year end. Expenditures are recorded in the accounting period in which the liability is incurred. The exception to this general rule is principal and interest on general obligation long-term debt, if any, is recognized when due.

The focus of the fund financial statements is upon the determination of financial position and changes in financial position (sources, uses, and balances of financial resources).

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund – The General Fund is used to record the general operations of the School District pertaining to education and those operations not provided for in other funds. The General Fund is the major fund of the School District.

NOTES TO FINANCIAL STATEMENT - CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Basic Financial Statements – Fund Financial Statements - Continued

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and other accounts that have the general characteristics of demand deposits.

Capital Assets

Capital assets, which include land, buildings, equipment and vehicles, are reported in the Statement of Net Assets in the government-wide financial statements. Capital assets are defined by the School District as assets that are purchased or acquired with an original cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date donated. Additions, improvements and other capital outlay that significantly extend the useful life of an asset, or increase its capacity or efficiency, are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Leasehold improvements	20-25 years
Furniture and other equipment	5-20 years

Compensated Absences

The District's certified employee is allowed to accumulate and vest sick days in accordance with the respective contract. This amount is reported in the government-wide financial statements and represents a reconciling item between the government-wide and fund presentations.

Comparative Data

Comparative total data for the prior year is not included in the School District's financial statements.

NOTE 2: BUDGETING/COMPLIANCE

The School District is required under Public Act 621 to adopt a budget for the General Fund. An annual budget is adopted on a basis consistent with generally accepted accounting principles and State law for this fund. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. All annual appropriations lapse at year-end.

The presentation of budgetary information is required for the General Fund. In the required supplemental information section, the School District's actual and budgeted expenditures for the General Fund are presented.

NOTE 3: CASH AND INVESTMENTS

Cash Deposits

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. At year-end, the carrying amount of the School District's deposits for the governmental activities fund was \$149,448 and the bank balance was \$149,677. Of this balance, \$145,388 was covered by federal depository insurance. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

NOTE 4: PROPERTY TAXES

Property taxes are levied and become a lien on property as of December 1 on the State taxable valuation of property in the School District as of the preceding December 31.

Property taxes are recognized as revenue in the fiscal year they are levied. The Michigan School Accounting Manual requires property taxes receivable be written off in the current year if not received within 60 days of the end of the previous year. This applies to both the government-wide (full accrual) and the fund (modified accrual) financial statements. There is no significant departure from the full accrual basis of accounting using this method.

The 2005 State taxable valuation of non-homestead property as of April 14, 2006, for Bois Blanc Pines School totaled \$18,703,752 on which taxes levied consisted of 4.1000 mills for operating purposes.

Classification of assessed property between homestead vs. non-homestead is subject to change. In addition, Michigan Tax Tribunal and Board of Review changes throughout the year affect the total taxable valuation.

NOTES TO FINANCIAL STATEMENT - CONTINUED

NOTE 5: CAPITAL ASSETS

Capital asset activity for the School District's governmental activities was as follows:

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Capital assets being depreciated:				
Leasehold improvements	\$ 6,230	\$ -	\$ -	\$ 6,230
Furniture and equipment	11,391	9,223	2,999	17,615
Subtotal	17,621	9,223	2,999	23,845
Accumulated depreciation:				
Leasehold improvements	312	311	-	623
Furniture and equipment	4,670	1,114	2,699	3,085
Subtotal	4,982	1,425	2,699	3,708
Governmental activities net capital assets	<u>\$ 12,639</u>	<u>\$ 7,798</u>	<u>\$ 300</u>	<u>\$ 20,137</u>

Governmental activities depreciation expense was charged as follows:

Unallocated	<u>\$ 1,425</u>
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NOTE 6: LEASE

The school district has a cancelable operating lease with Bois Blanc Township for the school building and storage shed. The district is responsible for all insurance, structural repairs, and maintenance costs. The lease is for \$1 per year and runs through August 31, 2097.

NOTE 7: DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS

The Bois Blanc Pines School District contributes to the Michigan Public School Employees Retirement System (MPERS), a cost sharing, multiple employers, state-wide public employee retirement plan governed by the State of Michigan and created in 1915. MPERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits to the State's public school employees. MPERS now operates under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, MI 48909-7526 or by calling (517) 322-6278.

Prior to January 1, 1990, MPERS provided a choice of two retirement plans, the Basic Plan, which required no employee contribution and the Member Investment Plan (MIP). For members hired on January 1, 1990 or after, membership in MIP is mandatory. MIP members are required to contribute 3 to 4.3 percent of their annual covered salary and Bois Blanc Pines School is required to contribute at an actuarially determined rate. The current rate is 16.34% of annual covered payroll, of which approximately 6.55% is for other post employment benefits (see below). The contribution requirements of plan members and Bois Blanc Pines School are established and may be amended by the MPERS Board.

NOTES TO FINANCIAL STATEMENT - CONTINUED

NOTE 7: DEFINED BENEFIT PENSION PLAN AND POST EMPLOYMENT BENEFITS – CONTINUED

The School District's contribution to MPSERS for the years ending June 30, 2006, 2005 and 2004 were \$4,324, \$3,056 and \$5,048 respectively, equal to the required contributions for each year.

Other post employment benefits

Also under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage which are funded on a cash disbursement basis. Retirees having these coverages contribute an amount approximately equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for health, dental and vision coverages. The number of plan participants and other relevant financial information consisted of the following at September 30, 2005, the date of the latest actuarial valuation.

Eligible retired participants	151,706
Participants receiving benefits:	
Health	115,071
Dental/Vision	122,291
Expenses for the year	\$761,695,958
Payroll contribution rate	6.55%

NOTE 8: RISK MANAGEMENT

The School District carries commercial insurance for risks of loss, including property and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

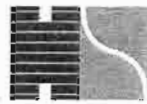
The School District also belongs to the SEG Self-Insured Workers' Disability Compensation Fund, a public entity risk pool currently operating as a common risk management and workers' compensation insurance program for various school districts throughout the state. The School District pays an annual premium for its workers' compensation insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of \$500,000 for each insured event. Although the School District could be assessed charges beyond the annual premium, the likelihood of receiving such an assessment is minimal.

REQUIRED SUPPLEMENTAL INFORMATION

BOIS BLANC PINES SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over/(Under)
Revenues				
Local sources	\$ 76,986	\$ 76,986	\$ 81,615	\$ 4,629
State sources	12,332	12,332	10,494	(1,838)
Federal sources	14,391	17,391	17,400	9
Total revenues	103,709	106,709	109,509	2,800
Expenditures				
Current:				
Instruction:				
Basic programs	46,551	48,188	45,732	(2,456)
Added needs	12,264	7,200	6,894	(306)
Support services:				
Instructional staff	1,220	10,782	13,322	2,540
General administration	2,510	2,510	1,797	(713)
Business services	5,270	5,450	5,345	(105)
Operation and maintenance	12,100	12,480	6,289	(6,191)
Pupil transportation services	1,950	2,190	2,102	(88)
Intergovernmental payments	6,721	6,895	6,876	(19)
Total expenditures	88,586	95,695	88,357	(7,338)
Net change in fund balance	15,123	11,014	21,152	10,138
Fund balance - beginning of year	135,085	115,267	115,267	-
Fund balance - end of year	\$ 150,208	\$ 126,281	\$ 136,419	\$ 10,138

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS



October 5, 2006

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Superintendent and Board of Education
Bois Blanc Pines School
Point Aux Pins, Michigan

We have audited the financial statements of the governmental activities, and the major fund of Bois Blanc Pines School as of and for the year ended June 30, 2006, which collectively comprise Bois Blanc Pines School's basic financial statements and have issued our report thereon dated October 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bois Blanc Pines School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other matters

As part of obtaining reasonable assurance about whether Bois Blanc Pines School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management and Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Hill Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

NO MANAGEMENT LETTER WAS ISSUED TO THE BOIS BLANC PINES SCHOOL
FOR THE YEAR ENDED JUNE 30, 2006.

NO DATA COLLECTION FORM IS REQUIRED TO BE ISSUED TO THE BOIS BLANC
PINES SCHOOL FOR THE YEAR ENDED JUNE 30, 2006.